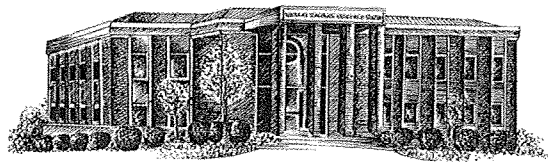


TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

GARY L. HARBIN, CPA
Executive Secretary
502/848-8500



SERVING KENTUCKY TEACHERS SINCE 1940

ROBERT B. BARNES, JD
Deputy Executive Secretary
Operations and General Counsel

J. ERIC WAMPLER, JD
Deputy Executive Secretary
Finance and Administration

August 31, 2010

Secretary Nikki R. Jackson
Personnel Cabinet
501 High Street
Frankfort, KY 40601

RE: Proposed Furlough Implementation for Kentucky Teachers' Retirement System

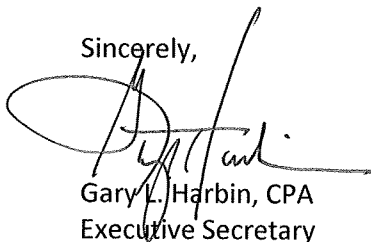
Dear Secretary Jackson:

Please find enclosed per the regulatory requirements set forth within 101 KAR 5:015E Kentucky Teachers' Retirement System's proposed furlough implementation plan for fiscal year 2010-2011 for your review and approval. Enclosed within these documents are the following:

- The designation of individuals responsible for the oversight and administration of these furloughs with enclosed designation forms
- The proposed manner of how furloughs will be applied to all employees, classified and unclassified
- Any specific flexibility consideration and request with appropriate justification
- Certifications that furloughs will be applied in compliance with the requirements established by 101 KAR 5:015E
- A copy of the sample notice that each employee will receive at least seven (7) days prior to any period of furlough

If you have any questions regarding this material, the lead contact for the Kentucky Teachers' Retirement System's proposed furlough plan is Gary L. Harbin at 479 Versailles Road, Frankfort, Kentucky.

Sincerely,



Gary L. Harbin, CPA
Executive Secretary
Kentucky Teachers' Retirement System

Enclosures

I. DESIGNATION OF APPOINTING AUTHORITIES

Pursuant to the authority provided in 101 KAR 5:015E and 2010 Extra. Sess. Ky. Acts ch. 1, Part IV, 11, Kentucky Teachers' Retirement System has deemed it appropriate to designate additional individuals to be responsible for the oversight and implementation of the proposed furlough plan. These individuals will be responsible for ensuring that notice will be provided to employees, and may accept and review any requests for voluntary furlough or any waivers of formal notices. No other individuals other than those designated in writing have the authority to take such actions related to furloughs. Additionally, these designated individuals will ensure that furlough time is appropriately monitored and taken by Kentucky Teachers' Retirement System employees.

<u>Name of designated employee(s)</u>	<u>Official Title</u>	<u>Specific Org Units for Which Have Authority</u>
Robert B. "Beau" Barnes	Deputy Executive Secretary Operations & General Counsel	Member Benefits, Member Services, Retiree Health Care, Member Relations, Office of Counsel
Eric Wampler	Deputy Executive Secretary Finance and Administration	Information Technology, Accounting, Administrative Services

The written designations are enclosed with this proposed plan and will be maintained with the Personnel Cabinet. If necessary, additions or changes may be made to these designations, and these changes will only be made to the designations on file with the Personnel Cabinet rather than require an entire change to this proposed plan.

II. APPLICATION OF FURLOUGH DATES

Three Mandated Shut Down Days September 3, 2010; November 12, 2010, May 27, 2011

The furlough plan for Kentucky Teachers' Retirement System (hereinafter "KTRS") will require an exception to the shut-down days for certain agency departments, however, KTRS still proposes to implement the furloughs and to recognize the savings. All eighty-six (86) full-time employees will be required to be furloughed on either the identified furlough day or an alternate furlough day during the first pay period of the month in September, 2010 and November 2010. An alternate date for an employee, who may need to work on the mandated shut-down day in May, 2011, will take place during the second pay period.

With the exception of certain departments, all KTRS employees will take their furloughs during the mandated shut down days. KTRS must have certain departments functioning during the mandated shut down days for the reasons as follow:

- KTRS manages approximately \$13 billion in trust assets on behalf of its members. The Investment Department must make trades each day that the financial markets are open and the markets are open on the designated shut-down days.
- KTRS will also be receiving the proceeds of two large bond issues by the Commonwealth totaling approximately \$737 million that will need to be strategically invested by the Investment Department and which require substantial work and due diligence on the part of legal staff. The first of these is due August 26, 2010 and the other will be received some time in the spring of 2011.
- Accounting and Information Technology offer support services for the Investment Department.
- Local school districts are not subject to the furlough plan and KTRS will be requested by both employers and members to provide services on the designated shut down days.
- Daily deposits are received from local districts and others for employee contributions, and other receipts that must be timely deposited and invested.

For the foregoing reasons, furlough days will be staggered among the following identified KTRS employees: Investment, Accounting and Information Technology Departments. These departments need to be functioning during all mandated shut down days. The employees who will report to work at the 479 Versailles Road building on the mandated shut down days will be five (5) in number and will be those Information Technology staff members whose offices are located in the basement. Additionally, two (2) officers who oversee the three departments that need to continue functioning will also be onsite during the mandated shut down days. *Please note, the 479 building is the only building that is open to the public, and will be closed on the identified mandated shut-down days.*

The Investment and Accounting Departments are located in the office building located at 477 Versailles Road, which is not open to the public. Ten (10) Investment and Accounting employees as well as the aforementioned IT employees and officers will take furlough days on a staggered schedule within the same pay period in which a shut down day is designated.

Advance seven (7) day written notice will be provided to all employees of all furlough date months.

KTRS has two (2) seasonal workers whose work begins mid-July and ends in the first part of September. Their work will be reduced in a proportionate manner.

KTRS has no part-time employees at this time.

KTRS acknowledges the possibility that an emergency situation may result in an employee reporting to work during a scheduled furlough day. If an emergency situation were to occur, it would most likely occur in our Investment, Accounting, Information Technology or Administrative Services Departments. The furlough Appointing Authorities will be responsible for verifying that such an emergency or exigent circumstance existed on the particular furlough days impacted.

Three Non-Designated Months:
First Pay Periods in October, 2010, March, 2011, and April, 2011

To recognize the savings, KTRS will require all eighty-six (86) full-time employees to take one furlough day during each of the months identified in the heading. It is essential that KTRS have certain departments functioning during the designated shut down days for the reasons as follow:

- KTRS manages approximately \$13 billion in trust assets on behalf of its members. The Investment Department must make trades each day that the financial markets are open and the markets are open on the designated shut-down days.
- KTRS will also be receiving the proceeds of two large bond issues by the Commonwealth totaling approximately \$737 million that will need to be strategically invested by the Investment Department and which require substantial work and due diligence on the part of legal staff. The first of these is due August 26, 2010 and the other will be received some time in the spring of 2011.
- Accounting and Information Technology offer support services for the Investment Department.
- Local school districts are not subject to the furlough plan and KTRS will be requested by both employers and members to provide services on the designated shut down days.
- Daily deposits are received from local districts and others for employee contributions, and other receipts that must be timely deposited and invested.

For the foregoing reasons, KTRS employees will take furlough days on a staggered schedule within the first pay period of the months identified in the heading. Employees will be permitted to request furlough dates within the designated furlough months, subject to approval by their supervisor to minimize disruption of office functions and service to KTRS members and participating employers. Employees will then be provided with advance written notice of at least seven (7) calendar days of their specific furlough dates. Furlough days will be applied in compliance with the regulatory requirements.

KTRS acknowledges the possibility that an emergency situation may result in an employee reporting to work during a scheduled furlough day. If an emergency situation were to occur, it would most likely occur in our Investment, Accounting, Information Technology or Administrative Services Departments. The furlough Appointing Authorities will be responsible for verifying that such an emergency or exigent circumstance existed on the particular furlough days impacted.

KTRS has no part-time employees.

BELOW IS A COPY OF THE NOTICE WE WILL PROVIDE EMPLOYEES

DATE

Employee Name

HAND DELIVERED

Dear Employee:

KTRS is following 101 KAR 5:015E, and this letter shall serve as official notice that you are to be furloughed on _____. Therefore, your hours will be temporarily reduced without pay on this date and you should not report to work.

If you have any questions, please feel free to contact Beau Barnes.

Sincerely,

Gary L. Harbin, CPA
Executive Secretary

cc. Personnel File

III. CONTRACT WORKERS

KTRS has no contract workers per 101 KAR 5:015E and 2010 Extra. Sess. Ky. Acts ch. 1, Part IV, 11.

If at some time KTRS hires contract workers as described in 101 KAR 5:015E and 2010 Extra. Sess. Ky. Acts ch. 1, Part IV, 11, KTRS will require all contract workers subject to a reduction in hours in the same manner as KTRS employees. Additionally, as with state employees, the possibility exists that an emergency situation may result in a contract worker reporting to work during a scheduled furlough day. The Furlough Appointing Authorities will be responsible for verifying that such emergency or exigent circumstance existed on the particular furlough days impacted.

IV. REQUIRED CERTIFICATIONS

We will not involuntarily furlough any employee more than twenty-four (24) work hours in a six (6) month calendar period, as provided in this subsection:

- Employees regularly assigned to a 40-hour work schedule shall be involuntarily furloughed no more than three (3) work days or twenty-four (24) work hours;
- Employees regularly assigned to a 37.5-hour work schedule shall be involuntarily furloughed no more than three (3) work days or twenty-two and one-half (22.5) work hours, which is the equivalent reduction of hours and corresponding pay; and
- All remaining employees on different work schedules shall be involuntarily furloughed in a manner to achieve an equivalent reduction of hours and corresponding pay.


(INITIALS)

We will not involuntarily furlough any employee more than 20 percent of an employee's scheduled work hours in any one work week.


(INITIALS)

Employees will not be permitted to utilize accrued leave balances in lieu of a temporary reduction of hours without pay.


(INITIALS)

During the period of furlough, no contractor will receive either additional duties typically performed by a furloughed employee or work additional hours due to the furlough of a state employee.


(INITIALS)